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UNCLAS PANAMA 000881

FOR INL/LP - Crook AND INL/AAE - LYLE

E.O. 12958: N/A

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SUBJECT: DRAFT 2008-2009 INTERNATIONAL NARCOTICS CONTROL STRATEGY
REPORT (INCSR) FOR PANAMA: PART I, DRUGS AND CHEMICAL CONTROL
DIVERSION CONTROL

REF: STATE 137250

Summary

1. By virtue of its geographic position and well-developed maritime and transportation infrastructure, Panama is a major logistics control and trans-shipment country for illegal drugs to the United States and Europe. Major Colombian and Mexican cartels as well as Colombian FTOs such as the Revolutionary Armed Forces of Colombia (FARC), and paramilitary remnants of the United Self-Defenses of Colombia (AUC) use Panama for drug trafficking and money laundering purposes. The Torrijos Administration has cooperated vigorously with the U.S. and, to a lesser extent, with its regional neighbors on counter-narcotics operations. In 2008, seizure levels remain very high with over 40 tons of Cocaine having been seized so far this year. U.S. support to Panama's counter-narcotics efforts, including developing an effective community policing model to help control a nascent gang problem, is crucial to ensure fulfillment of agency missions. Panama is a party to the 1988 United Nations Drug Convention.

Status of Country

2. Panama's geographic proximity to the South American cocaine and heroin producing countries makes it an important trans-shipment point for narcotics destined for the U.S. and other global markets. Panama's four major containerized seaports, the Pan-American Highway, a rapidly growing international hub airport (Tocumen), numerous uncontrolled airfields, and relatively unguarded coastlines on both the Atlantic and Pacific all facilitate drug movement. Smuggling of weapons and drugs continues to take place, particularly between Colombia and the isolated Darien region, the Azuero peninsula and the sparsely populated Caribbean coastal areas. The flow of illicit drugs has contributed to increasing domestic drug abuse and gang violence, and Panamanian authorities attributed the majority of murders to revenge killings between traffickers. Panama is not a significant producer of drugs or precursor chemicals. However, limited amounts of cannabis are cultivated for local consumption.

Country Actions Against Drugs in 2008

3. Country Actions Against Drugs in 2008:

--Policy Initiatives: The Torrijos Administration is strongly committed to counter-narcotics and anti-crime cooperation with the U.S. Panama participated in the U.S.-Central American Integration System (SICA) security dialogue. Panama passed a law reforming the criminal system from a written (inquisitorial) system to a largely oral (accusatorial) system. The accusatorial system will be implemented over a several year period. The first province to switch will be Cocolé in late 2009, and Panama will be the last province to adopt the new system in 2014. The GOP passed laws by decree in August that reformed the organization of the security apparatus, eliciting strong opposition from some media, civil society and opposition political leaders, who claimed the government was attempting to "re-militarize" the country. Among the reforms was the

merger of the National Air Service (SAN) and the National Maritime Service (SMN) into one "Coast Guard"-like service to be called the National Aero-Naval Service (SENAN) that will become official on 22 November and require heavy investment to make the new service operational. The GOP also passed a reform that separates the frontier police from the National Police (PNP), as of November, creating an independent National Frontier Service (SENAFRONT). This reform will be less traumatic, as the frontier force already existed as a separate force (DINAFRONT). Early in 2008, another reform folded the Technical Judicial Police (PTJ) into the National Police investigative division, creating the new Division of Judicial Investigations (DIJ). A separate intelligence directorate known as DIP still remains a separate function under the PNP. The forensic investigation responsibilities remained with the Public Ministry and Attorney General's office. In 2008, Panama for a second straight year, carried out a successful table-top exercise (Panamax Alpha) to address asymmetrical threats to the Panama Canal.

--Accomplishments: USG law enforcement agencies continued to enjoy a cooperative relationship with GOP counterparts in narcotics-related criminal matters. Cocaine seizures are over 40 tons in 2008 and arguably are the most significant in the region. International drug-related arrests also remain strong. Our extradition relationship with Panama is efficient and fluid. Several sensitive vetted units continue to operate with impressive results.

--Law Enforcement Efforts: Drug Enforcement Administration (DEA)-monitored statistics for 2008 indicate seizures of over 40.5 metric tons (MT) of cocaine, 17 kg of heroin, and 126 arrests for international drug-related offenses. Several USG-supported GOP sensitive units were fortified with equipment and increased personnel in 2008. The SMN cooperates with the U.S. Coast Guard (USCG) requests for ship registry data, and provides officers to serve aboard USCG cutters as "ship riders," allowing USCG to patrol Panamanian waters under Panamanian control. The SAN also provides excellent support for counter-narcotics operations within its limited means, including patrolling and photographing suspect areas, identifying suspect aircraft. The newly formed "ICE vetted unit" began operating in the summer of 2008. The unit will focus on international crimes other than drug trafficking. So far they have assisted in capturing U.S. fugitives, pedophiles and other criminals escaping justice from the US and other countries. The Government of Panama has staffed the U.S.-funded Guabala checkpoint (inaugurated in early 2006) on the Pan-American Highway, and the national police deploy mobile road blocks throughout the country targeting land based movements of drugs.

--Corruption: President Torrijos's administration, through its National Anti-Corruption Commission, charged with coordinating the government's anticorruption activities, continued to audit government accounts and launch investigations into major public corruption cases. Several government ministries established transparent, automated procedures to minimize opportunities for corruption (e.g., for registering a business, preparing a shipment for export). Despite the Torrijos Administration's public stance on corruption, few high-profile cases, particularly involving political or business elites, have been acted upon. Currently, one high-level police commissioner is under investigation for fraud and other charges. A USG-funded "Culture of Lawfulness" program, designed to encourage officers to fight against corruption within the police, has produced 10 trainers with the National Police, and Post anticipate training 10 more in the coming year. This program is being combined with an aggressive effort to implement a community policing program with the PNP. Sixty-seven different police districts in Panama City are each going to develop a "citizen's security" group that will work with police, evaluate their performance and address security issues within their communities. The first group is being developed in the San Miquelito District which is one of the higher crime areas in Panama.

--Agreements and Treaties: Panama is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotics Drugs, as amended by the 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. A mutual legal assistance treaty and an extradition treaty are in force between the U.S. and Panama, although the Constitution does not permit extradition of Panamanian nationals. A Customs Mutual Assistance Agreement and a stolen vehicles treaty are also in force. In 2002, the USG and GOP

concluded a comprehensive maritime interdiction agreement. Panama has bilateral agreements on drug trafficking with the United Kingdom, Colombia, Mexico, Cuba, and Peru. Panama is a party to the UN Convention Against Transnational Organized Crime and its three protocols and is a signatory to the UN Convention Against Corruption. Panama is a member of the OAS and is a party to the Inter-American Convention on Mutual Assistance in Criminal Matters and the Inter-American Convention Against Corruption. Panama is an active participant in the U.S.-SICA security dialogue.

--Cultivation and Production: There have been no confirmed reports of cocaine laboratories in Panama since 1994. Limited cannabis cultivation, principally for domestic consumption, exists in Panama, particularly in the Pearl Islands.

--Precursor Chemicals: Panama is not a significant producer or consumer of chemicals used in processing illegal drugs. However, it is believed that some chemicals transit the Colon Free Zone (CFZ) for other countries. The Panamanian agencies responsible for chemical control are the National Drug Control Council (CONAPRED) and the Ministry of Health. Legislation to strengthen Panama's chemical control regime was signed by President Torrijos in 2005. The new legislation created a chemical control unit. With the new precursor chemical control legislation in place, focus shifted in 2007 towards capacity building to implement the new laws. A working visit by DEA officials and participation in DEA's operation "seis fronteras" has assisted Panama in identifying a list of suspicious companies from approximately 675 chemical handlers. The Chemical Control Unit also coordinated with the PNP Narcotics Unit to conduct the necessary enforcement operations. The GOP also improved its ability to combat precursor chemical diversion through training and by conducting joint investigations with the DEA in 2008. So far though, no significant seizures or violations have been reported.

--Drug Flow/Transit: Panama remains an important territory for the transit and distribution of South American cocaine and heroin, as indicated by the more than 40 MT of cocaine seized thus far in 2008. Drugs were moved in fishing vessels, cargo ships, small aircraft, and go-fast boats. Illegal airplanes utilize hundreds of abandoned or unmonitored legal airstrips for refueling, pickups, and deliveries. Panama's coastlines are used to store drugs for continued shipment towards Mexico and to store fuel and supplies for go fast boats making the runs. Couriers transiting Panama by commercial air flights also moved cocaine and heroin to the U.S. and Europe during 2008.

--Domestic Programs/Demand Reduction: Through CONAPRED, the GOP is implementing a five-year counter-narcotics strategy that includes 29 demand reduction, drug education, and drug treatment projects for 2002 through 2007. The GOP has budgeted a total of \$6.5 million to fund the projects during the five-year period. MEDUCA and CONAPRED, with USG support, promoted anti-drug training for teachers, information programs, and supported the Ministry's National Drug Information Center (CENAIID).

U.S. Policy Initiatives and Programs

14. U.S. Policy Initiatives and Programs:

--Policy Initiatives: USG-supported programs focus on improving Panama's ability to intercept, investigate, and prosecute illegal drug trafficking and other transnational crimes; strengthening Panama's judicial system; improving Panama's border security; and ensuring strict enforcement of existing laws. The Narcotics Affairs Section (NAS), DHS, Office of Defense Cooperation (ODC) and USCG provided resources for modernization and upkeep of SMN and PNP vessels and bases, and assisted the SAN with training personnel and maintaining key aircraft for interdiction efforts. The USG provided training and operational tools to the multi-agency Tocumen Airport Drug Interdiction Law Enforcement Team. NAS coordinated training for Tactical Law Enforcement procedures, internal affairs and Anti-Corruption investigations and crowd controls procedures. NAS and CBP continue to organize operational evaluation teams of Border Patrol Agents who work in the border areas with National Police. NAS continues to develop a major law enforcement modernization project with the PNP to develop its police leadership and implement

community-based policing procedures. The program focuses on many pillars including proven community policing tactics, expansion of existing crime analysis technology, and promotion of managerial change to allow greater autonomy and accountability. NAS provided computers, office equipment, and other necessary gear to several offices within the Public Ministry.

--Bilateral Cooperation: The Torrijos Administration continued to sustain joint counter-narcotics efforts with DEA and USCG, and worked to strengthen national law enforcement institutions with assistance from NAS. Maritime cooperation continued to be excellent.

--The Road Ahead: The USG encourages Panama to devote sufficient resources to enable its forces to patrol land borders along Colombia and Costa Rica, its coastline, and the adjacent sea-lanes, and to increase the number of arrests and prosecutions of major violators, especially in the areas of corruption and money laundering. The USG will continue to offer the GOP expertise and resources to strengthen Panama's ability to safeguard its citizens, confront drug traffickers, and ensure that law enforcement efforts are anchored in democracy. The USG will also continue to support law enforcement modernization through improved equipment, maintenance, strategic planning, decentralization of decision making, and community-oriented policing philosophies.

Statistical Tables

15. Drug Seizures and Arrests in Panama: Our 1996-2007 statistics table was provided separately (emailed to INL/LP). 2008 statistics will be provided by e-mail as well.

Stephenson